USAID/Sri Lanka

Annual Report

FY 2006

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Please Note:

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Sri Lanka

Cover Memo:

TO: James Kunder, AA/ANE

FROM: Carol Becker, Mission Director, USAID/Sri Lanka

SUBJECT: Mission FY 2006 Annual Report

DATE: December 14, 2005

I am pleased to submit the FY 2006 Annual Report (AR) for Sri Lanka.   In 2006, USAID/Sri Lanka marks its 50th year of development partnership with Sri Lanka. On April 28, 1956, the first agreement for economic assistance was signed between the U.S. and Ceylon. In the early years, USAID assistance included improving transportation infrastructure, building industry, providing food aid, and eradicating malaria. Throughout the 50 years, USAID made significant contributions in agriculture and the private sector, provided services to the disabled, promoted democracy, advanced family planning, built the capacity of universities and enhanced the environment. As we begin to research our past achievements the staff has been surprised and pleased to hear about the impact of our work from many of the beneficiaries themselves. Our achievements are best exemplified by a statement made by Father Pinto of Don Bosco, "USAID sees monuments in people, not buildings." USAID has worked with Sri Lanka through its tragedies of war and natural disasters to promote peace and improve the lives of its people.

Last year was an extraordinary one - as the Tsunami created the worst natural disaster in Sri Lankan history. For the first three months of the immediate relief and rehabilitation effort, Mission staff and the DART acted as one, as our FSN and American staff provided an exceptional display of commitment, hard work, technical talent and on-the-ground knowledge of Sri Lanka. This seamless teamwork was key to our rapid and effective response to the victims of the disaster. Once the Dart departed in February, our small staff continued their relentless pace assisted by the generous surge assistance from the Egypt Mission and from AID/W. It was only at the end of September that three new Direct Hire staff arrived. I look back at those months in awe of the work that this Mission accomplished. So while the AR does not discuss these accomplishments as the tsunami is reported in the ANE Regional SO, the work, the time and commitment invested in responding to this disaster must be acknowledged in any piece of work reflecting the Mission's accomplishments over the past year.

In last year's cover memo, I stated that the major focus for the Mission was in supporting the peace process. The Mission's priorities continue to be directly linked to the MPP goals of peace and prosperity. Almost one year after the tsunami hit Sri Lanka, the Mission is not only addressing the USG response to social, environment, economic growth and reconstruction challenges, but also assessing how the newly elected President of Sri Lanka, Mahinda Rajapakse, shapes the Government's peace and growth agenda. As the November Presidential election disenfranchised voters in the North and East because of LTTE intimidation, minorities are increasingly uneasy. There are continued targeted assassinations by both the LTTE and a breakaway paramilitary force, continued recruitment of child soldiers and a greatly increased climate of fear and tension in the North and East among and between Tamils and Muslims. Strident voices of the new President's Sinhalese nationalist alliance partner, the JVP, have further stained efforts to resume peace negotiations. President Rajapakse has a daunting task before him, delivering on pro-poor election promises of subsidies while trying to raise revenue and increase growth to pay for them. While the path for peace still remains possible, the Mission needs to stay the course.   Balanced assistance will be required in the areas of economic growth including addressing water and sanitation issues and jobs for the 21st Century, vulnerable populations, peace support and good governance that will lay the foundation for a peaceful and prosperous future for Sri Lanka.

FY 2005 ACCOMLISHMENTS AND OUR STRATEGIC PLAN: The Mission response to the tsunami at the beginning of the FY 2005 reporting period pushed the Mission staff and its partners to the limits; nonetheless the staff was poised to respond impressively to the disaster while continuing to implement a notable bilateral program. While it becomes very difficult to tell our bilateral assistance story without talking about the impact of the tsunami and our response, the Mission achieved solid results in its bilateral program. Even with solid results, implementation of bilateral programs was delayed due to partners refocusing efforts to be responsive to the urgent needs after the tsunami. For this reason, the Mission is requesting an extension of its Strategic Plan to FY 2008.

The Mission will continue to pursue an aggressive program of public-private alliance building throughout the remaining Strategic Plan period. For our investment, we have leveraged millions of dollars in private sector support and tens of millions in other donor support for our bilateral program. More than just the funding, however, has been the contribution to USAID/Sri Lanka efforts through innovative partnerships - by organizations that see the benefits of USAID-funded programs. This tool of utilizing alliances and innovative partnerships will continue throughout the Strategic Plan period (2003-2008).

Sri Lanka faces an uncertain economic and political future as it is too early to test the promises made by the current administration. In all of this uncertainty, one issue does remain certain: it is imperative for the development assistance arm of the US government not only to remain but to become stronger in order to lay the ground work for sustained economic growth for a healthy, educated, and democratic Sri Lanka. U.S. Government support for those ideals and goals were expressed by Ambassador Lundstead, who added that the U.S. Government stands ready to support the Sri Lanka government in its desire to decentralize and continue to stabilize the peace process. Though incidences of civil violence continue, we remain optimistic that the policy, market, disability access, and peace-building advances made through the efforts of USAID and its partners can continue and grow through the remainder of the extended Strategic Plan period.

RESULTS FRAMEWORK: The Performance Summary section of this AR reflects several minor changes to the Mission's current Results Framework which resulted from a consultative process during the development of the performance monitoring plan in June 2005. We request final approval of these changes to enable the Mission to continue to measure results against this standard.

The path to peace and prosperity still remains possible. As with many countries experiencing years of conflict the road to a negotiated settlement is often a rocky one. It is important for the USG and USAID to stay the course as the Ambassador plays a key role as one of four Tokyo Peace Process Co-chairs on the diplomatic side, while we build support for the peace process at the Tier 1 and Tier 2 level and with civil society groups and communities in the hotspots of the East, South and border areas. The continued support at these two levels is essential for our continued leadership and credibility in advancing the peace process.

USAID, likewise, is at a crossroads. While we are poised to play a significant role in supporting the peace process and creating an enabling environment to ensure that if a negotiated agreement is reached, avenues will be open for greater prosperity and improved equity for all regions, ethnic and religious groups, the Mission must have the necessary resources. In the aftermath of the tsunami, the US stepped up to the plate to be center stage in the relief efforts. The question is whether the USG, particularly using USAID's presence and considerable comparative advantage, chooses to lead in a sustained reconstruction and long-term development effort with our Sri Lankan and donor partners. I think it is in the best interests of the Agency and the Bureau to do so.

As I approach the end of my tour as Mission Director in Sri Lanka, and the end of my career in USAID, I feel a great deal of pride in helping the Mission develop into a team of bright, dedicated and hard working development professionals. I believe that they exemplify USAID's comparative advantage in the world of development - our in country knowledge, remarkable staff and can do attitude. I hope that over the course of the next six months, you will "revisit Sri Lanka and see it through a USAID lens. I know that you will be impressed.

USAID/Sri Lanka Website: www.usaid.gov/lk/ <http://www.usaid.gov/lk/>

A. Program Performance Summary

Program Narrative (FY 2006): USAID's Country Strategic Plan, FY 2003-2007-Supporting Peace and Reform in Sri Lanka, was approved in December 2003 and supports the three main pillars of the Mission Performance Plan of Peace, Economic Growth and Democracy/Human Rights. USAID is extending its Strategic Plan period to FY 2008 due to several factors, including but not limited to the following country-specific conditions: the December 2004 tsunami that caused major implementation delays while USAID's implmenting partners quickly expanded to address the emergency; uncertainties over the policies of a newly elected President and his newly appointed Administration; and a tenuous, continually tested, Ceasefire Agreement.

Working with a diverse mix of ethnic, religious and political groups, USAID plays a catalytic role in Sri Lanka in enabling citizens to experience improved living standards, benefits from the peace process, and new opportunities for economic and political engagement. USAID implements three major Strategic Objectives (SOs), and one Special Objective (SpO), Programs. These SOs and SpO include, respectively, Democracy and Governance (DG), Humanitarian Assistance (HA), Economic Growth (EG), and Supporting the Peace Process. As the following brief summaries illustrate, all programs demonstrated tangible, solid performance in FY 2005, in spite of experiencing the most devastating natural disaster in a century.

DEMOCRACY AND GOVERNANCE: There are two core activities under this Strategic Objective: supporting the Sri Lanka peace process and the promotion of transparent and accountable local government. USAID has built a strong program to address the development challenge of strengthening the Sri Lankan peace process. Training and technical assistance led to the strengthening of peace-building institutions that have a pivotal role in promoting inclusiveness and accountability, primary themes in this SO.

USAID technical assistance resulted in the creation of 16 linkages/outputs for the peace process, exceeding the target of 14. For example, the five largest political parties representing the Singhalese, Tamil and Muslim communities participated in the USAID-supported One Text Initiative (One Text). Two significant developments occurred through this process: the inclusion of Muslim political parties and an observer from the Liberation Tigers of Tamil Eelam (LTTE). The exclusion of Muslim political parties from the peace process had been a fundamental weakness. The request by the LTTE to have an observer present was a significant achievement as negotiations between the government and the LTTE had ceased. This was the first opportunity, for government representatives, the LTTE and representatives of all communities to engage on the peace process. The importance of this development was clear to other donors who stepped in quickly to provide support for operational costs.

USAID's technical assistance to 11 groups created linkages within the peace process, exceeding the target of 10. During the first half of this reporting period, two committees from One Text, produced such linkages and facilitated the creation of the Peace Secretariat for Muslims. As an initial response to the tsunami, this secretariat established five regional help centers to assist victims. In FY 2005, the centers received 5,536 cases of which 3,115 have been resolved. These help centers will be developed into district offices, creating a mechanism for outreach in the community.

USAID's Transparent and Accountable Local Government Program with an initial target of 15 local authorities, later expanded to 33 authorities across six provinces with Emergency Supplemental funds for the tsunami. Other important results under this program included: financial management assessments of 24 partner authorities; financial management staff from 16 municipalities began training in financial software packages and budget planning; and 167 government officials and civil society leaders have been trained to facilitate community consultations for planning and service delivery. Achieving increased civic participation is a key result. The Citizen Report Card, a national survey on citizen satisfaction with local government, provides baseline data for this activity. Only 2.6% of the public are consulted by local authorities but when public consultations occur, there is significant enthusiasm for such processes, 76% percent of those invited participate and of these, 94% were satisfied with the process.

Other program highlights include: the establishment of a Local Authority Development Scale; computer training and budget development workshops for 16 local authorities; and citizen participation training in 10 partner authorities. Seventeen local authority partners have begun their budget planning process for 2006.

SUPPORTING THE PEACE PROCESS: Sri Lanka's history has shown that violent incidents which occur in local level 'hot-spots' can rapidly escalate to the national level. There are groups of people in these areas who act as peace-spoilers, barriers to sustained peace. USAID jump starts activities with community level groups and peace leaders, providing people with tools to mitigate these conflicts.

USAID targets communities by increasing public support for a negotiated settlement to the conflict through short-term, high-impact small-grant activities that increase awareness of key transition issues and collaboration among diverse groups to set and address local priorities. The program has proven to be an invaluable tool due to its relentless pace, demand-driven nature and strategically placed field offices. Using a bottom up approach to peace building, this USAID program works predominantly at the village level and often with informal groups. This compliments the USAID Democracy and Governance program which focuses more on national level stakeholders and formal institutions.

An example of the impacts of the USAID-supported community activities was evident in the early days and weeks of the tsunami relief effort as people from non-tsunami effected communities came together to support clean up efforts. For example, in the town of Galle volunteers representing different geographic locations and ethnic backgrounds cooperated with tsunami affected people to restore the main coastal road to Colombo. These volunteers had previously participated in USAID small-grant activities.

USAID pioneered two activities directed toward greater engagement of youth in peace process issues. A sub-grant to the Center for Policy Alternatives brought together students of diverse backgrounds, cultures and religions, from 10 national universities, to interact, research and debate on key themes such as democracy, good governance, conflict analysis, conflict sensitive journalism and power sharing. A national level activity supported the inaugural Sri Lanka Youth Parliament by providing a forum for 225 youth from all corners of the island on peace, democracy and human rights.

HUMANITARIAN ASSISTANCE: In FY 2005, this Strategic Objective improved social services to targeted vulnerable populations, particularly people with mobility disabilities, and made progress in implementing new activities for children affected by armed conflict and violence and torture survivors and their families. Through sound and sustainable management, this SO continued to provide humanitarian services to strengthen the capacity of Sri Lankan organizations to meet the social service needs of these vulnerable populations.

During the reporting period, a total of 891 devices utilizing improved design technologies were delivered to clients, including 437 polypropylene prosthetic devices, 314 orthotics devices, 65 wheelchairs and 75 tricycles. While these numbers reflect a significant improvement in the availability of improved devices for the disabled in Sri Lanka, the significance of the designs of the technologies is more profound. For example, wheelchairs, now available in Sri Lanka, are customized to the needs of the client. Local partner organizations are now trained on proper client assessment, measurement, and fitting for wheelchairs. Ordering and delivery of systems have improved to help simplify and speed up the fabrication process of wheelchairs, allowing for provision to clients within days, rather than months. A new tricycle for the disabled was designed and is now available on the market. This new design provides improved stability, function and ergonomics, and features an optional gasoline powered engine to help the users become more mobile.

USAID's New Beginnings program focuses in three areas: fostering the resettlement and reintegration of children affected by armed conflict through psychological and social care and vocational training; protecting children from violence and abuse at home and in their communities; and reducing institutionalization by developing and replicating alternative community-based care interventions. New Beginnings achieved three major results during FY 2005: development of a methodology to reunify children; completion of data collection and personal interviews with 420 children living in state homes;

and, development of a training program for institutional care-givers and probation officers.

Two new USAID/Sri Lanka programs, one program that is responsive to a Congressional earmark to support Victims of Torture and one HIV/AIDs program, are in the design phase and solicitation phases, respectively.

ECONOMIC GROWTH: Through this Strategic Objective, USAID successfully supported Sri Lanka's efforts to promote economic growth through increased competitiveness. This program succeeded in strengthening the role of the private sector in the economy by providing expert assistance to increase productivity and exports of key commodities and improving the ability of the Sri Lankan workforce to compete in domestic and world markets.

The Competitiveness Program (TCP) has succeeded in producing increasingly self-reliant apex bodies (e.g., associations and organizations) that are representative of the eight export-led industry clusters (e.g., strategic task forces including representatives from the public and private sectors). These bodies are improving their capacity and member associations and they are continuing to implement initiatives that advance industry competitiveness. In aggregate, the firms in the eight TCP clusters (tea, rubber, tourism, gems, information technology (IT), coir, spice, and ceramics) employ over two million people, about 29% of Sri Lanka's workforce. In FY 2005, these clusters accounted for 33% of the country's exports, up from 30% in 2000.

There were several important policy reform achievements resulting from USAID assistance. The most important of these was passage of new legislation restructuring the Sri Lankan Tourism Board (SLTB), a government entity charged with promoting the growth of the industry. The new legislation removes the functions of promotion and the tourism training school from the control of the SLTB and places them under the control of public/private boards which now have a majority of private sector board members.

Through TCP, USAID provided technical assistance to the Tourism Cluster to mobilize over $3 million in private funds for the development of a new "ecolodge" concept. This places Sri Lanka squarely in the mainstream of this fastest growing segment of the tourism industry worldwide, ecotourism.

Through TCP, USAID continued to assist the Ceramics and IT Clusters by conducting two programs with the University of Moratuwa. The six-month Ceramic Industry Placement Program for undergraduates that was piloted in 2004 became a success, and an increase of 12% in participation was seen in 2005. Eight of the 10 students who completed the program found employment in the industry. Due to the success of this program the University is planning to have a year-round program to double the capacity of placement. Another program, "IT Rapid Skill Development," for non-IT graduates is being conducted now with 19 participants (six of whom are women) to qualify and apply for jobs in the IT field. Two other provincial universities have expressed desire to conduct similar programs.

CHANGES IN THE RESULTS FRAMEWORK: USAID is slightly modifying its results framework to better reflect on-the-ground results and adequate information collection to monitor impacts. These changes are needed after a thorough review of the portfolio during the Performance Monitoring Plan (PMP) process that took place in June 2005. The new Results Framework reads as follows:

GREATER SUPPORT FOR NEGOTIATED SETTLEMENT GENERATED
     IR 6.1: Awareness increased of key transition issues
     IR 6.2: Collaboration among diverse groups to set and/or address priorities increased

Explanation of changes:
This special objective changed its title from "Peace Process Supported," to "Greater Support for Negotiated Settlement Generated." In addition, the development of the PMP led to the creation of two new intermediate results and the deletion of the three previous IRs.

SOCIAL SERVICES TO TARGETED VULNERABLE POPULATIONS IMPROVED
IR 7.1: Rehabilitative services for disabled civilians developed and improved

IR 7.2 Communities' capacity to address threats to children and young people's security improved
IR 7.3 Psychological and Social Services to torture victims improved
IR 7.4 HIV prevention services for at-risk groups developed and improved

Explanation of changes:
SO7 changed its title from "Improved Social and economic integration of targeted disadvantaged groups" to "Social services to targeted vulnerable populations improved." In addition to the title change, SO7 also added an addition intermediate result, IR 7.4: HIV prevention services for at-risk groups developed and improved.

SO 8: Foundation for Rapid and Sustainable Economic Growth Set

IR 8.4: Natural resources planning and management improved

Explanation of changes:
SO8 added an intermediate result, IR 8.4: Sustainable management of natural resources and biodiversity conservation improved which simply codifies bilaterally some of the activities that the Mission was doing through regional efforts, where it made sense to do so.

SO9: Approaches to Good (including Peaceful) Governance Strengthened

   IR 9.1: Civic foundations for a sustainable peace strengthened
   IR 9.2: Local governments' capacity for good governance increased
   IR 9.3: Equitable access to dispute resolution resources increased

Explanation of changes:
The names of the SO and the IRs were all changed under this strategic objective. The changes do not reflect a shift in technical areas or programming.

383-006: SPO - Peace Process Supported

Performance Goal: Existing and emergent regional conflicts are contained or resolved

FY 05 Performance Overview: USAID/Sri Lanka's Office of Transition Initiatives (OTI/Sri Lanka) program, implemented through a contract with Development Alternatives, Inc. (DAI), increases public support for a negotiated settlement to the conflict through short-term, high-impact small-grant activities that increase: awareness of key transition issues, and collaboration among diverse groups to set and address local priorities. OTI/Sri Lanka's program has proven to be an invaluable tool for the Mission due to its relentless pace, demand-driven nature and strategic field presence. The OTI/Sri Lanka program, which takes a bottom-up approach to peace building by working predominantly at the village level and often with informal groups, compliments peace support through USAID's bilateral Democracy and Governance program, which has a greater focus on national level stakeholders and more formal institutions.

In FY 2005, the OTI/Sri Lanka program began by seeking to refine its approach based on lessons learned from an assessment that recommended the following: implementing greater numbers of small-grant activities in places where impact was likely to resonate nationally; engaging more intentionally with key leaders and opinion shapers within targeted communities and regions; and building stronger linkages between initiatives at the local, regional and national levels, particularly with regard to media and information-dissemination activities. The OTI/Sri Lanka program shifted programming during the first half of FY 2005 in support of tsunami relief efforts, thereby delaying planned results for the year. However, it should be noted that the regular bilateral OTI/Sri Lanka program and the OTI/Sri Lanka tsunami activities are very similar both in terms of aims as well as geographic focus, with the bilateral program also targeting some conflict-affected communities that were not affected by the tsunami.

Program activities in government-controlled Jaffna, the Tamil cultural, political and economic center, could not continue after November 2004 because of a new tax policy imposed by the Liberation Tigers of Tamil Eelam (LTTE) on the transportation of goods through areas under its control; four unfinished activities in progress were halted. The below results, therefore, are based on OTI/Sri Lanka's work in the following regions: North-Central, East and South.

The SO-level indicator data (e.g., indicator target and/or actual data) is lacking for several important reasons, namely: 1) there was a tsunami disaster which forced the Mission to focus on relief, rehabilitation and reconstruction; 2) the PMP was initiated in June 2005; 3) the Mission will provide the missing information in FY 2006; 4) ANE/W staff supporting the PMP process supported the setting of indicator targets in FY 2006.

FY 05 Performance:

 Mitigate Conflict and Support Peace

The tsunami of December 26, 2004, further devastated a nation already reeling from 20 years of armed conflict, and the OTI/Sri Lanka program responded strategically. The field office infrastructure, experienced staff and strong partnerships became the cornerstones for early, effective disaster relief intervention, and were an essential component of the overall USG response to the disaster. OTI/Sri Lanka staff provided immediate support to the Disaster Assistance Response Team (DART), guiding rapid assessments carried out in six districts, while at the same time beginning to program Economic Support Funds (ESF) and Transition Initiatives (TI) monies already obligated into the DAI contract to support relief and recovery efforts with existing local partners.

An example of the impacts of the OTI/Sri Lanka-TI and ESF supported community activities was evident in the early days and weeks of the tsunami relief effort as people from non-tsunami affected communities who normally would not have come together did so, some on a voluntary basis, to support clean up efforts. In Galle, for example, 17,000 persons, coordinated by local government, came together with volunteers mobilized by local NGOs and the US military to restore the main coastal road to Colombo. This

was among the many disaster relief activities initially funded with ESF and TI monies already obligated into the OTI/Sri Lanka program contract that were later reimbursed and significantly augmented by tsunami supplemental funding. The additional resources nearly tripled the size of the USAID/DAI contract and supported the staffing of a new field office in the southern coastal district of Matara, giving the OTI/Sri Lanka program more direct access to partners in a region that is not only tsunami affected but also critical to the success or failure of Sri Lanka's stalled peace process.

With ESF and TI monies that were not reimbursed by tsunami supplemental funding, OTI/Sri Lanka in FY 05 awarded 111 small grants for just under $4 million to community-based organizations, NGOs, media entities, and local government officials in 12 districts as well as at the national level. Though rarely extending beyond six months, many of these small grant awards supported a substantial number of sub-activities. A grant to a Hambantota District village development council, for example, involved 40 workshops on federalism and decentralized resource allocation and had nearly 3,000 participants.

OTI/Sri Lanka hired a full-time US personal services contractor monitoring and evaluation specialist in June 2005 to measure impact not only of individual small-grant activities but also of the cumulative effect these can have in a given community or region over time. Using survey questionnaires, key informant interviews and focus groups, the specialist evaluated 18 activities from July to September 2005. Based on a five-point scale, with 1 representing "high negative impact" and 5 representing "high positive impact," the average evaluation for the ESF- and TI-funded activities was 4.3, somewhere between "positive" and "high positive" impact. Insufficient time and data existed under the new PMP to measure FY 2005 SO level indicators, however. OTI/Sri Lanka is committed to measuring these indicators in FY 2006 through a planned representative, random sampling process. In reviewing the PMP, the Mission has decided to amend the SO level indicators to: 1) Increased public support for peace process among project participants; 2) Increased understanding of key transition issues.

A key lesson learned by the monitoring and evaluation specialist is the importance of focusing on process over product. The outcomes typically sought through an OTI/Sri Lanka activity - changes in attitude towards other ethnicities and altered perceptions about the politics of peace - are produced through an interactive process wherein people are exposed to new ideas, come together to identify or achieve common purposes across community divides, and work collaboratively to move in new directions. The quality of the process determines the quality of impact: the longer, more intensive, and more skillfully facilitated the process is, the better the result.

The OTI/Sri Lanka program is successful because of its flexibility and ability to respond quickly as conflicts and disasters emerge. This was demonstrated by the activity that the program staff conceptualized and funded within a 48-hour window to respond to an emerging conflict over the construction of a Buddha statue near the center of the multi-ethnic city of Trincomalee. Government offices, public transportation and businesses had been shut down intermittently for several days in response to a hartal, or general strike, called for by a Tamil citizens group demanding the government remove the statue. To diffuse the tension caused by the strike, OTI/Sri Lanka supported a multi-faith NGO, based in Colombo, to conduct shuttle diplomacy between representatives from the Muslim, Tamil and Sinhalese communities who otherwise would not agree to dialogue with each other. Partly as a result of the activity, the various parties involved, including local government authorities, have decided that instead of removing the Buddha statue, it would become part of a multi-faith shrine at the same site. To promote continuing dialogue, OTI/Sri Lanka initiated discussions with local government authorities and citizens groups about collaborating to improve community-based infrastructure, including the bus stand and public market surrounding the area.

Greater linkages and collaboration with the USAID/Sri Lanka bilateral Democracy and Governance (DG) program were established during FY 2005. For example, OTI/Sri Lanka utilized the teledrama, Take This Road, funded by the USAID/DG program, which highlights some of the challenges of reconciliation in Sri Lanka. An OTI/Sri Lanka-funded 2-hour movie version of the teledrama was used in 152 venues to: build greater awareness and understanding about attitudes sustaining the conflict and provide a platform for facilitated exchange of views about the human costs of war. On another occasion, at a time when escalation of violence in the multi-ethnic Eastern Province was high, OTI/Sri Lanka quickly organized a

two-day, interfaith dialogue workshop for 32 Buddhist, Christian, Hindu and Muslim religious leaders from the region that was facilitated by a prominent USAID/Sri Lanka DG-funded conflict mitigation specialist. The workshop ameliorated tensions and broadened the peace-building network of the OTI/Sri Lanka program.

Awareness Increased of Key Transitional Issues: The dearth of reliable information from a multiplicity of viewpoints and misinformation which was at odds with a negotiated settlement, undermined public confidence in the peace process. In FY 2005, the OTI/Sri Lanka program supported 55 activities funded with ESF and TI that sought to mitigate conflict and empower citizens to participate more confidently in the national debate on peace. These activities took place during a period in which the news related to peace was rarely positive, with a spate of political assassinations and continued allegations of the LTTE conscripting child soldiers contributing to the climate of fear that prevailed.

OTI/Sri Lanka-funded media- and information-related activities produced over 94,000 message outputs - which is a step in being able to measure attitude and behavior changes. Products include news articles, documentary pieces or advertisements in national print and broadcast media, pamphlets and books, posters, billboards and stickers. Some activities aimed to disseminate information on issues such as power sharing or the cease-fire agreement, while others were more advocacy-oriented and sought to change attitudes and behavior.

In the Southern Province, the base for Sinhalese nationalist politics, and second only to the North-Central Province in its skepticism about negotiating peace with the LTTE, OTI/Sri Lanka combined environmental conservation with peace building. The activity supplied fifty thousand cloth "peace" bags, in exchange for plastic ones, to pilgrims at the multi-religious festival of Kataragama to carry messages on the universality of tolerance and understanding, along with their temple flowers. The activity was an important first step in OTI/Sri Lanka's attempt to create pride among people of the region for hosting the most culturally and spiritually diverse festival in the country.

In the Northwestern Province town of Puttalam, home both to Muslims who have been internally displaced by the conflict since 1990 as well as a multi-ethnic host community population, an OTI/Sri Lanka grant activity through a local NGO resurrected a traditional Sinhalese form of sung poetry to identify and discuss various issues related to the war's impact on society. These debates proved so popular that a follow-on activity linking these performers with Tamils from an adjacent district who are proficient in a similar art form is being developed for early FY 2006.

OTI/Sri Lanka pioneered two activities directed toward getting youth more engaged in peace process issues. One activity was a sub-grant issued to the Center for Policy Alternatives which brought together students of diverse backgrounds, cultures and religions, from 10 national universities, to interact, research and debate on key themes such as democracy, good governance, conflict analysis, conflict sensitive journalism and power sharing. Another was a national level activity, which supported the inaugural Sri Lanka Youth Parliament, provided a forum for 225 youth from all corners of the island on peace, democracy and human rights.

Collaboration among Diverse Groups to Set and/or Address Priorities Increased: OTI/Sri Lanka activities produced a total of 48 community action plans, an important intermediate result indicator for this SpO under the new PMP. Activities to emerge out of these priority-setting exercises, intended to model decentralized decision-making and resource allocation, included rehabilitation of public markets, health clinics, schools and transportation infrastructure, and livelihoods-oriented skills training and inputs. Mobilization of large numbers of volunteer labor, and engagement of civil society with local government, were central to producing the type of attitude change and relationship building the OTI/Sri Lanka program seeks to encourage. Eighteen of the grant activities in FY 2005 included a "shramadana," or volunteer labor component - a tradition all religions and ethnicities in Sri Lanka respect.

People within the various constituencies targeted by OTI/Sri Lanka activities consistently report increased awareness of issues related to the conflict and transition, according to interviews and surveys administered by the program monitoring and evaluation specialist. Whether at the grass-roots or

leadership levels, government officials or members of civil society, participants in OTI/Sri Lanka-supported activities consistently reported increased recognition that cooperating and collaborating across group divisions was the preferred method of problem solving. Furthermore, there are a variety of observable impacts that occur when a process-oriented activity occurs well. Participants reported higher levels of trust and willingness to cooperate across ethnic lines, higher levels of security and improved perceptions of personal safety, and other positive indications of perceptual and attitudinal impact. Where OTI/Sri Lanka conducted community impact activities that brought together diverse community groups to identify or address local priorities, it had a markedly positive impact on inter-group perceptions and on positive working relationships.

In the conflict-affected Trincomalee District, OTI/Sri Lanka's work in the Muthur Division continued to build positive relationships among ethnically diverse communities, with youth and women's groups taking a lead role. A grant to the Eastern Voluntary Social Development Organization for Women supported female-headed community based organizations to implement livelihoods and infrastructure rehabilitation activities that emerged from a collaborative priority setting process. As a result of this grant, and prior grant activities, residents of the adjacent Tamil and Sinhalese villages from which the grantee's membership is drawn have protected each other during periods of heightened tensions in the area.

In the eastern Ampara District the community of Central Camp, where Muslims, Sinhalese and Tamils who once lived together over years of conflict, segregated themselves into adjacent, but largely homogenous, neighborhoods. A series of OTI/Sri Lanka sub-grants to a local NGO mobilized key citizens and local government authorities from these "colonies" to identify and address common local needs. The small-scale infrastructure projects that have emerged from these dialogues include the rehabilitation of public bus infrastructure, a reservoir and irrigation canal system, a hospital and a community center. As a result of these activities, the grantee approached OTI/Sri Lanka for support to establish inter-ethnic youth activities to foster continued collaboration and dialogue across communities.

In the Matara District of the Southern Province, OTI/Sri Lanka provided vocational and self-employment training to multi-ethnic women and youth, and developed community infrastructure in the villages where they lived together, to mitigate inter-group tensions that in past years have resulted in violence. The planning, implementation and management that goes into such projects - more important than the hardware that results - creates a sense of joint ownership and shared future that cements relationships. In the village of Kirinda Puhulwella, Matara District, OTI/Sri Lanka reunited 125 Muslim and Sinhalese women from a previously funded conflict mitigation training activity and added 100 men, women and youth from their communities for further peace building skills and organic gardening livelihoods support. This activity not only produced economic benefits, but widened the circle of people by adding men and youth who gained skills to mitigate conflicts.

383-007: Improved Social and Economic Integration of Targeted Disadvantaged Groups

Performance Goal: Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims.

FY 05 Performance Overview: In FY 2005, USAID/Sri Lanka's Humanitarian Assistance Strategic Objective (SO) improved social services to targeted vulnerable populations, particularly people with mobility disabilities, and made progress in implementing new activities for children affected by armed conflict and violence and torture survivors and their families. Through sound and sustainable management, this SO continued to provide humanitarian services to strengthen the capacity of Sri Lankan organizations to meet the social service needs of these vulnerable populations.

Major progress was also made despite challenges presented by the disastrous tsunami which occurred in December 2004, which added significant relief and rehabilitation responsibilities to the SO management team and its implementing partners. Notable achievements for the SO in FY 2005 include: provision of 900 mobility enhancing devices and 66% employment placement of disabled job trainees; compilation of baseline data for 2,500 vulnerable children on access to education, percentage of school drop-outs and number of single-headed families; and funding provided for eight of 65 sub-grants under a $3 million GDA partnership with Geneva Global Inc., a US based private foundation, to assist vulnerable youth and families and improve health. An additional planned core program for HIV-AIDS prevention was developed to the Request for Applications stage.

The SO-level indicator data (e.g., indicator target and/or actual data) is lacking for several important reasons, namely: 1) there was a tsunami disaster which forced the Mission to address relief, rehabilitation and reconstruction requirements on a massive scale; 2) the PMP was initiated in June 2005, more than half-way through the Fiscal Year; 3) the Mission will provide the missing information in FY 2006, as the teams evaluate the validity of targets in the PMP; 4) ANE/W staff supporting the PMP process endorsed the setting of indicator targets in FY 2006.

FY 05 Performance:

 Support Populations at Risk

The SO-level indicator data (e.g., indicator target and/or actual data) is lacking for several important reasons: 1) there was a tsunami disaster which forced the Mission to address relief, rehabilitation and reconstruction requirements on a massive scale; 2) the PMP was initiated in June 2005, more than half-way through the Fiscal Year; 3) the Mission will provide the missing information in FY 2006, as the teams evaluate the validity of targets in the PMP; 4) ANE/W staff supporting the PMP process endorsed the setting of indicator targets in FY 2006.

Rehabilitative Services for Disabled Civilians Developed and Improved: The Disability Support Program (DSP) provides rehabilitation services and activities which are managed by USAID's implementing partner, Motivation Charitable Trust (MCT), a UK-based international NGO which works through six Sri Lankan disability organization partners. Funded by the Leahy War Victims Fund of the US Congress, the DSP represents a $3.74 million, five-year commitment to comprehensive rehabilitation for people with mobility disabilities. The DSP made strides in building the organizational and service-provision capacity of partner organizations, supported international-standard training and certification of prosthetic and orthotic practitioners, and made important contributions to improving the status and quality of life for disabled people through job seeking/keeping skills training, advocacy to planning authorities and public awareness.

Fundamental to this effort is the concept that USAID and its implementing partner build and strengthen the capacity of indigenous organizations to provide high quality, sustainable services. To this end, MCT conducted a comprehensive assessment of partner organizations' capacity and training needs. New activities and training modules addressing identified needs were installed, including development of a

standardized patient database, streamlining of the clinical service structure, and training in metal workshop skills for 28 technicians. The DSP also made improvements to infrastructure necessary for the local partner organizations to provide services and equipment to the disabled, including improved workshop area design and safety, computer equipment, and office furnishings.

The foci of the DSP in improving services were: improving the provision of devices; developing and distributing more technologically appropriate mobility devices (e.g., wheelchairs and tricycles,); and, improving rehabilitation services such as physical therapy. During the reporting period, a total of 891 devices utilizing improved design technologies were delivered to clients, including 437 polypropylene prosthetic devices, 314 orthotics devices, 65 wheelchairs and 75 tricycles. While these numbers reflect a significant improvement in the availability of improved devices for the disabled in Sri Lanka, the significance of the designs of the technologies is more profound. For example, specially customized wheelchairs are now available in Sri Lanka for the first time. Local partner organizations are now trained on proper client assessment, measurement, and fitting for wheelchairs. Ordering and delivery of systems have improved to help simplify and speed up the fabrication process of wheelchairs, allowing for provision to clients within days, rather than months. A new tricycle for the disabled was designed and is now available on the market. This new design provides improved stability, function and ergonomics, and features an optional gasoline powered engine to help the users become more mobile. Notably the Sri Lankan Ministry of Social Services has placed an order with a DSP partner for 110 tricycles. These devices provide greatly improved access to economic and social outlets that otherwise are challenging if not impossible for many disabled clients to reach.

The DSP's commitment to improving rehabilitation services to complement provision of these devices has significantly impacted the lives of program beneficiaries. A DSP partner, the Spinal Injuries Association, assisted more than 200 individuals by developing peer to peer counseling and training during home and hospital visits, providing literature to patients on their condition and care, and organizing 'active rehabilitation camps' for those who have sustained a spinal cord injury. These essential services have resulted in a reduction of the threat of premature death or injury due to secondary complications for these very vulnerable program clients.

The DSP needs assessments noted that knowledge and skills for provision of cutting-edge technologies and client care were lacking in Sri Lanka. In response, a program activity was designed to provide Sri Lankan technician candidates advanced training outside of the country. In FY 2005, two groups of trainees completed their international training. Five trainees completed three-year practitioner training at the School of Prosthetics & Orthotics in Cambodia. Another group of three trainees completed a one-year training course on rehabilitation therapy in India. Both groups have assumed clinical positions with local partners with responsibility for evaluating and providing services to clients. In addition, in-situ theoretical and practical training of other service technicians including practitioner assistants, bench technicians and rehabilitation therapy assistants was provided.

The program also contributed significantly to improving the social status and quality of life for people with mobility disabilities. Three initiatives stand out: employment seeking facilitation; advocacy to state authorities on behalf of the disabled; and, public awareness activities. The DSP conducted training courses for 351 people to provide knowledge, skills and confidence building for disabled people to seek and to keep employment. DSP reinforced the legal protection and status of the disabled through advocacy activities, making major contributions to the drafting of a Disability Rights Bill and Accessibility Regulations for the Built Environment. The bill was translated in all local languages, and submitted for parliamentary review by the end of the reporting period. In addition, the DSP contributed significantly to advocacy and public awareness activities to promote the principle that all reconstruction efforts for tsunami-damaged infrastructure be designed disabled-accessible.

Communities' Capacity to Address Threats to Children and Young People's Security Improved
Save the Children in Sri Lanka (SC), an international NGO manages this component of the program called New Beginnings for Children Affected by Violence and Conflict (New Beginnings). Funded by the Displaced Children and Orphan's Fund of the US Congress, this program represents a $1.44 million, three-year commitment to securing protection from violence for children and young people. New

Beginnings focuses in three areas: fostering the resettlement and reintegration of children affected by armed conflict through psychological and social care and vocational training; protecting children from violence and abuse at home and in their communities; and reducing institutionalization by developing and replicating alternative community-based care interventions. The program operates in areas affected by the war as well as areas considered to have a high prevalence of abuse against children. This new program was to begin implementation in the 2nd quarter of FY 2005; however at the request of USAID's partner, which was heavily engaged in tsunami relief activities from January to March, an agreement was reached to begin activity implementation in April 2005. Despite this delay, New Beginnings made meaningful progress during the second half of FY 2005; including recruitment of key program staff, implementation of needs assessments and consultations, and start-up of field operations for child reunification.

Given the breadth and length of the civil conflict in Sri Lanka, there are many communities that have suffered physical, economic, and emotional impacts of war. In order to determine which area would be appropriate to initiate program activities, New Beginnings established a need-based criteria for selecting a target community, including factors such as: high rates of child abuse as registered by local child protection authorities; geographic isolation with subsequent poor access to services; not being served by other NGOs; and, receipt of a formal government request for SC to operate there. After reviewing potential locations, New Beginnings selected a resettled community of about 15,000 people living in the Kayts Islands off the Jaffna Peninsula in Sri Lanka's Northern Province. At program startup in this area, New Beginnings collected baseline data for 2,500 vulnerable children on access to education, percentage of school drop-outs and number of single-headed families. In addition, it held consultations with 250 involved individuals to identify needs. Drawing on this assessment and consultation work, New Beginnings developed an operational plan for implementation of future programming activities.

For the element of the program addressing protection of children against violence at home and in the community, New Beginnings selected two administrative divisions in Southern Province as target areas. In mid-FY 2005, they conducted extensive consultations and needs assessments involving 265 children (separated from their families as a result of violence, abuse, migration of one parent or offences), caregivers and child protection authorities. This research was then utilized to develop a comprehensive operational plan, which was also approved by relevant authorities. Activities under this plan were started in late FY 2005.

For the program component focused on developing alternatives to institutional care, New Beginnings achieved three major results during FY 2005: development of a methodology to reunify children; completion data collection and personal interviews with 420 children living in state homes; and, development of a training program for institutional care-givers and probation officers. The methodology to reunify children involves the establishment of teams of 15 social workers trained on home visits, family mediation and household's assessment. Parental education schemes are also implemented to prepare children and parents to reunification. A follow-up system is also ensured for a period of six-months in order to reduce the relapse of children into institutional care or other risks situations. SC's ability to compile a detailed profile of cases is a significant milestone as securing accurate personal information on separated youth is an essential step in family reunification. In addition, New Beginnings conducted home visits, family assessments and parental sensitization with 30 families. The design of the three-year training program is a third milestone of this year. This intensive program will provide knowledge and skills to 120 care-givers and probation officers in 12 state managed institutional homes. Training modules related to communicating and working with children and the reunification process step by step were delivered in the two target areas by the end of FY 2005.

Psychological and Social Services to Torture Victims Improved
Activities under this Intermediate result are implemented through the Reducing Effects and Incidences of Torture (RESIST) Program, managed by The Asia Foundation (TAF), an international NGO. Funded by the Victims of Torture Fund of the US Congress, RESIST represents a $1.485 million, three-year commitment to collaborate with local partners to plan, fund and carry out activities that enable torture-affected persons and communities to resume their roles within family and community. The program also strengthens public responses against torture as well as protects individuals against future incidents of

torture, particularly at the local level. TAF and its partners provide guidance for applied research, identifying culturally appropriate and effective best practices, improving and expanding the delivery of services, and promoting advocacy efforts to reduce the incidence and effects of torture in Sri Lanka.

RESIST is a new program for the SO which began implementation in July 2005, and is now in the design phase. The design phase includes: an inception workshop with potential partners to identify needs and introduce program objectives; the development of research and evaluation methodology; activity mapping and community-based needs assessment; solicitation of proposals; and, selection of partners and projects. RESIST's phased approach is enabling TAF to learn what interventions are appropriate and effective in the Sri Lankan context while concurrently providing access to services that improve the functionality and well-being of torture-affected individuals and communities. During late FY 2005, TAF completed recruitment and placement of local and international program staff and technical advisors.

To identify potential RESIST local partner organizations, TAF established weekly meetings with several well respected local NGOs engaged in torture-specific and broader psychological and social support programs in Sri Lanka   These meetings familiarized potential RESIST partners with the program objectives and gauged their ability to do torture-specific programming.

The research component of RESIST will seek to improve the quality of interventions for torture-affected individuals through the study of the impact of interventions, TAF has identified the newly-formed Programme for Psychosocial Impact Assessment at the Social Policy Analysis and Research Centre (SPARC) of the Colombo University Faculty of Arts as a potential RESIST partner because of its strengths in development of assessment methodologies and capacity building.

HIV Prevention for At-risk Groups Developed and Improved
Sri Lanka's response to HIV/AIDS is beginning. While the number of cases remains low even among most-at-risk populations, there are high risk factors that could easily contribute to a serious epidemic. A significant level of commercial sex work exists among both women and men, and this is coupled with low condom use and high sexually transmitted infection rates. There is a large mobile population of Sri Lankan migrants and displaced persons, many of whom have been living in high HIV/AIDS prevalence regions, as well as several higher-risk internally mobile populations. Drug and other substance use are steadily increasing, as is the number of sexually active youth and young adults. Knowledge and awareness of HIV/AIDS among vulnerable and underserved populations remains low, and the ability of the surveillance system to monitor the epidemic is still limited.

During FY 2005, USAID Sri Lanka designed an initial 18-month HIV/AIDS intervention intended to reduce the incidence of new HIV/AIDS cases among most-at-risk populations. This program will build upon existing initiatives; primarily the Government of Sri Lanka and World Bank supported National HIV/AIDS Prevention Project, to help reach critical coverage of the most-at-risk population with behavior change communication in order to prevent a generalized epidemic. At the end of the reporting period, this program reached the Request for Applications stage, and will begin implementation in early FY 2006.

383-008: Foundation Set for Rapid and Sustainable Economic Growth

Performance Goal: Institutions, laws, and policies foster private sector led growth, macroeconomic stability, and poverty reduction

FY 05 Performance Overview: USAID/Sri Lanka, through this Economic Growth (EG) Strategic Objective (SO), successfully supported Sri Lanka's efforts to promote economic growth through policy reform dialogue with the Government of Sri Lanka (GSL). The Mission's EG program succeeded in strengthening the role of the private sector in the economy by providing expert assistance to increase productivity and exports of key commodities and improving the ability of the Sri Lankan workforce to compete in domestic and world markets. Unprecedented worldwide response to the 2004 tsunami disaster has enabled the GSL to respond to the emergency, and assistance is now turning to rebuild and rehabilitate critical infrastructure, a constraint to foreign direct investment and sustainable economic growth. The Presidential election in November 2005 resulted in election of the former government's Prime Minister, signaling a general continuation of existing economic policies, but with an increased emphasis on direct assistance to the poor through subsidies.

The Mission's EG strategy remains relevant, although the effects of the tsunami have slowed progress and the late 2005 change in government point to the prudent need for an extension of the strategic period to FY 2008. The organizational development objectives of The Competitiveness Program (TCP), implemented through Nathan Associates and JE Austin, have succeeded in producing increasingly self-reliant apex bodies that are representative of the eight export-led industry clusters. These bodies are improving their capacity and member associations and they are continuing to implement initiatives that advance industry competitiveness. In aggregate, the firms in the eight clusters (supported through TCP - tea, rubber, tourism, gems, information technology (IT), coir, spice, and ceramics) employ over two million people, about 29% of Sri Lanka's workforce. In FY 2005, these clusters accounted for 33% of the country's exports, up from 30% in 2000.

The Sri Lankan GDP growth rate fell from 5.4% in 2004 to 5.1% for the first six months of 2005. The principle reason for this was the devastating tsunami that struck in December 2004. The TCP project implemented "damage assessments" with each cluster, which ascertained that the tourism, coir, and gems and jewelry suffered the most damage. The clusters and TCP then used the assessments to design interventions and recovery programs including a major effort to restore Sri Lanka's image as an attractive tourist destination.

The Global Development Alliance (GDA) activity supporting the Sri Lankan clean air initiative continued to assist by developing policy and regulations for vehicle emissions testing and a national action plan on air quality management and clean air. A new GDA activity to promote sustainable coastal tourism started implementation in FY 2005, with partner Louis Berger Inc., to minimize pollution in coastal areas. A third alliance was developed by partnering with a pioneering "ecolodge" activity to enhance the environmental and community development impact of what will be Sri Lanka's first ever ecolodge built and operated to international standards.

Please note that the Data Quality Assessment is not yet completed for this SO.

FY 05 Performance:

 Improve Private Sector Competitiveness

Sound Economic Policy Implemented:

There were several important policy reform achievements in FY 2005. The most important reform directly related to USAID assistance during the past year has been passage of new legislation restructuring the Sri Lankan Tourism Board (SLTB), a government entity charged with promoting the growth of the industry. The new legislation removes the functions of promotion and the tourism training school from the

control of the SLTB and places them under the control of public/private boards. Each board has a majority of private sector board members appointed by the Tourism Cluster's two main constituent industry associations. The decision to increase funding for promotion and training and place the management of these key activities in the hands of the private sector is the direct result of strategic advice and sustained efforts by USAID/Sri Lanka's TCP and the Tourism Cluster. For example, based on guidance from USAID/TCP, the Tourism Cluster drafted and presented the proposed legislation to persuade the GSL of the importance of private sector management and accountability for promotion and training. The legislation follows TCP recommendations to greatly increase spending on promotion and training, funded through an industry-recommended tax on tourism receipts. In FY 2004, that tax generated an additional $8 million in revenue for the SLTB. But the reform creating the private sector board came only in FY 2005, after one year of government management of the revenues. This reform, which can be considered "partial privatization," was aided considerably by the success of the technical assistance provided by the Mission to help the tourism industry recover post-tsunami. These twin reforms, adequate funding for promotion and private sector management of the funds, are unprecedented actions and strong policy commitments in favor of competitiveness by the GSL and the private sector. Next year, for the first time, the private sector will decide how these funds are to be used to promote Sri Lanka's image in the global market place, and enhance training for industry and national economic development.

From the outset of the USAID/TCP program, efforts to improve the economic policy environment and to increase trade and investment have been key to promoting the competitiveness model. Both the former and present administrations' interests in trade capacity building have been replaced by more inward oriented policies. However, both leading political parties speak in favor on improving Sri Lanka's competitiveness in the global market place as a strategy to cope with globalization. USAID/TCP provides funding on a cost-shared basis to the Institute of Policy Studies to conduct annual surveys on behalf of the World Economic Forum. Because of these efforts, Sri Lanka has been included in the rankings in the Global Competitiveness Report for four consecutive years (2001 to 2005). The report now is being quoted by the then Prime Minister and now President Mahinda Rajapakse, especially to promote the IT sector. Another policy achievement in FY 2005 included passage of an electronic signature legislation that will help growth of e-commerce in Sri Lanka. The good news is that thus far the new government's public utterances show recognition of the importance of a competitive private sector to economic development.

USAID/TCP has provided technical assistance to the Ministry of Telecommunications on licensing legislation and spectrum allocation with a view to increasing rural penetration. Proposed reforms are currently under review.

Another important policy success for the Gem and Jewelry cluster was rescission of a new tariff that the government imposed on imports of gold and gems, in particular diamonds. This tariff may have been part of a Ministry of Finance effort to raise revenue on luxury items that would impact mainly wealthy individuals. The tariff had an immediate depression effect on the expansion of jewelry manufacturing in Sri Lanka. The Gem and Jewelry cluster organized and presented a case to the Ministry of Finance using arguments based on value additions and competitiveness and explaining that these "luxury items" were in fact their industry's raw materials. They managed to get the tariff rescinded a few months after it was passed and growth quickly resumed. Rescission of the tariff saved approximately $1 million in local value added manufacturing activity in 2005 alone.

More Competitive Products Sold in the Global Market:

Progress towards developing globally competitive products has been marked by generally higher than average export growth rates in the eight industries (gems and jewelry, coir, spices, tea, rubber, tourism, information and communication technology (ICT), and ceramics industries receiving USAID assistance, and by several notable successes in individual clusters).

Another hallmark of success in FY 2005 has been outstanding leveraging of USAID's resources with Sri Lankan or third party funding for industry development and export promotion. In 2005, GSL's Export Development Board (EDB) invested $385,000 in expanding three selected export opportunity initiatives

originally developed by TCP and the clusters with USAID funded technical assistance. EDB's FY 2005 budget for export promotion included $210,000 for rubber products including "Lankaprene"; $75,000 for coir; and $100,000 for spices. EDB provided these funds under matching arrangements with private industry firms and associations. The combined promotional efforts are expected to produce more than $2 million in increased exports in the coming years.

USAID/TCP's technical assistance to the coir cluster resulted in a major success during the reporting period. The cluster secured more than $700,000 in funding to develop a state-of-the-art model mill. Funding will include $169,518 from the GSL, $81,365 from industry, and $480,373 from the U.N. Food and Agriculture Organization's Common Fund for Commodities (CFC). This model mill, a public-private partnership, will develop, implement and disseminate low-cost technologies and improved operating practices for coir mills, targeted at improved quality, productivity and profitability. In addition to improving working conditions, the model mill will operate as a training facility for mill operators and management. CFC's support is also based on their conviction that Sri Lanka and its Coir Council International provide a base for improving coir processing practices throughout the region of South Asia.

The Ceylon Sapphire Council (Ltd.) was established with USAID/TCP technical assistance to assist the local industry to market a new branded line of "Ceylon Sapphire" designer jewelry that will enhance Sri Lanka reputation for jewelry design and manufacture - as opposed to gemstones alone. This fiscal year, eight Gem and Jewelry Cluster companies have pledged $300,000, while the EDB will invest $350,000. These funds were invested during 2004-05 in new product development, representational agreements with US and European agents and plans for a promotional campaign that will be launched in 2006.

In addition, USAID/TCP joined with the Gem and Jewelry cluster to improve the 2005 annual international gem and jewelry show, Facets Sri Lanka. Compared to 2004's show, Facets 2005 achieved a 43% increase in the number of exhibitor booths, a 30% increase in international participants to 200 and a 66% increase in international buyers to 54. This show enhances Sri Lanka's reputation as an international center for gems and jewelry and contributes to Sri Lanka's related goal of enhancing its reputation as a regional center for conferences and exhibitions and related tourism. TCP's subgrant also contributed to a decision to design and manufacture of $80,000 of new display cases in Sri Lanka rather than import cases from Thailand.

USAID/TCP organized a study tour to Vietnam, Thailand and India, to study the implementation of smallholder rubber projects. Knowledge gained will benefit the smallholder project to be implemented by the Rubber Cluster. Participants included senior government officials and private sector company representatives. Because of the enthusiasm generated from the tour, the GSL has agreed to release land for this project and initial work on preparing the rubber plant nurseries by the private sector has already begun. In addition to an investment of $120,000 by the private sector in nurseries, the Rubber Cluster has also helping Sri Lanka to attract funding from the United Nation's International Fund for Agriculture Development (IFAD). IFAD is preparing plans to commit an estimated $22 million for this smallholder rubber development project. IFAD acknowledges that their decision is based in large part on the quality of previous studies and the readiness of the private sector (i.e. The TCP Rubber Cluster) to take a lead role in the project.

In the Tourism Sector, USAID/TCP provided technical assistance to the cluster to mobilize over $3 million in private funds (private sector commitment as shared capital was $2.18 million, plus $750,000 in loan funding; USAID's Global Development Alliance Secretariat provided $900,000 for community development and environmental research). This effort was for the development of a new ecolodge concept, placing Sri Lanka squarely in the mainstream of this fastest growing segment (ecotourism) of the tourism industry worldwide. Baseline studies to measure environmental and socio economic impact have commenced as has construction of new housing for nearby tea workers and project construction staff. The design of Sri Lanka's first ever forest canopy walkway was completed and will be released for bid in FY 2006. This ecolodge will be a model that can be replicated elsewhere in Sri Lanka, showing how tourism - done correctly - can contribute to protect public forests and nature reserves as has been done in Costa Rica and elsewhere.

USAID/TCP provided a cost-shared grant to the Tea Cluster to introduce new packaging technology to improve the quality and shelf life of tea. The benefits of vacuum packing (i.e. airtight, freshness and flavor sealed) have helped improve customer demand and market prices for other products and are expected to do the same for tea, if technical issues can be resolved. The industry has contracted out tests of technical feasibility and resultant quality in conjunction with the Tea Research Institute of Sri Lanka. The test will be completed in early January and results shared with the industry. USAID/TCP provided a $14,000 to the implementing engineering firm, while the tea industry contributed $15,000.

The Sri Lanka Ceramics Council (Council), after conducting an independent assessment of factories, developed and presented to USAID/TCP a proposal for a factory improvement program. USAID/TCP is assisting the Council to implement a productivity improvement program on a cost-shared basis under the USAID/TCP small grants program. The program will be implemented over a six-month period targeting increased productivity of 3 to 5% leading to better prices and increased earnings for employees through productivity-based incentives. Over 20 senior staff were trained in industry best practices including continuous improvement techniques. Total cost of the program is $32,000. Industry's contribution has been $8,000. Participating firms expect to see a double digit decrease in rate of defects or "second quality" products.

A study conducted by USAID/TCP identified the cluster nature of Sri Lanka's fisheries sector (export, domestic, ornamental), an important component of the economy hit particularly hard by the tsunami. The study identified and quantified the potentials for each market segment and the value chain associated with the industry. The Mission will evaluate the recommendations of the study and its implications for future programming.

Improved Quality and Relevance of Skills for Private Sector Workforce:

The USAID/TCP job skills development program to help non-IT graduates qualify and apply for jobs in the IT field was the first of its kind and is being implemented at the University of Moratuwa, in close cooperation with ICT Cluster companies. Two other provincial universities, University of Peradeniya and University of Wayamba have expressed interest in introducing similar programs on their campuses.

USAID/TCP continued its assistance to the six-month ceramics Industry Placement Program. Twelve undergraduate students from the University of Moratuwa participated in the program-a 12% increase in the participation rate as compared to the 2004 pilot. The Sri Lanka Ceramics Council with assistance from the University of Moratuwa, Department of Materials Engineering, closely monitored the progress of the program throughout. Eight of the ten students, including two women, who completed the first pilot program in 2004, have accepted job offers with industry in 2005. Due to successful implementation of the program, the University is presently negotiating with the Ceramics Council to double the capacity of placement by implementing a year-round program.

USAID/TCP provided technical assistance, training and skills development programs to the Gem & Jewelry Institute over the past year. The Institute trained 240 students in bench-level craftsmanship techniques. Training included US advisors from the Texas Institute of Jewelry Technology and the Paris Junior College in Texas. These USAID/TCP-sponsored trainers spent 4 weeks providing training to 43 young artisans at the Sri Lanka Gems and Jewelry Institute. The training covered casting, polishing, stone setting and other jewelry design techniques.

USAID/TCP provided technical assistance to the Tourism Cluster to develop a multilingual guidebook and training book for guides leading tours to wildlife parks in the Sri Lanka's southern lowland areas. The guide contains pictures of mammals, birds, amphibians and even insects most likely to-be-encountered in the dry zone national parks. Each photo is captioned in four languages (Sinhala, English, French, and German), effectively expanding the guides ability to communicate. Over 1000 books have been ordered in the initial printing, and training based on the guidebook will extend to current guides and the Tourism schools guide training program.

Please note that the Data Quality Assessment is not yet completed. It is anticipated the DQA for this SO

will be completed during this Fiscal Year.

383-009: Inclusive and Peaceful Approaches to Politics and Governance Strengthened

Performance Goal: Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices.

FY 05 Performance Overview: There are two core activities under this Strategic Objective (SO): supporting the Sri Lanka peace process and the promotion of transparent and accountable local government. This SO has built a strong program to address the development challenge of strengthening the Sri Lankan peace process. Training and technical assistance led to the strengthening of peace-building institutions that have a pivotal role in promoting inclusiveness and accountability; primary themes in this SO.

In FY 2005, the program, built mostly with Economic Support Fund monies, broadened the activity base, establishing an integrated approach, mitigating conflict and supporting the transition to peace. Continuing support for multi-party dialogues on peace process issues and citizen participation initiatives were expanded. The program began the implementation of new activities; developing a linkage between country wide citizen participation fora to promote community action, conflict resolution and engagement with local government. Under this SO, a mutually beneficial relationship is being promoted: community participation with local government creates accountability and increases transparency, which complements strengthening the capacity of local officials in financial management and service delivery.

Within the two core areas the SO has supported three strategic sectors within the Sri Lanka peace process: government and political parties, civil society and community groups. Technical assistance and training was provided to strengthen their capacity in conflict analysis and peace-building. At the SO level, the goal is to create channels of communication, or linkages between these groups.

Please note that the Data Quality Assessment is not yet completed.

FY 05 Performance:

 Mitigate Conflict and Support Peace

Supporting the Peace Process: USAID technical assistance to partners within each group resulted in the creation of 16 linkages, exceeding the target of 14. Support for a variety of linkages and activities, including the One Text Initiative (One Text), the Bandaranaike Center for International Studies (BCIS), the Peoples Forum program, the Knowledge Attitudes and Perceptions national survey on the peace process, and the South Asia Peace Institute generated inter-group linkages.

One Text, an activity that supports a multi-party dialogue on the peace process, has shown considerable promise. Regrettably, USAID was compelled to withdraw its support during FY 2005 for policy related reasons. The five largest political parties representing the Singhalese, Tamil and Muslim communities participated in this activity, including a party leader and a deputy Minister. Two significant developments occurred during this reporting period: the inclusion of Muslim political parties and an observer from the Liberation Tigers of Tamil Eelam (LTTE). The exclusion of Muslim political parties from the peace process had been a fundamental weakness. One Text facilitated an agreement between the two largest Muslim political parties to create a Peace Secretariat for Muslims which for the first time is advocating on behalf of their community. Secondly, based on the inclusive approach adopted by One Text, the LTTE Peace Secretariat requested that an observer representing the LTTE be allowed to attend the multi-party dialogue. This was a significant achievement as negotiations between the government and the LTTE had ceased in March 2003. This was the first opportunity, albeit at an informal level, for government representatives, the LTTE and representatives of all communities to engage on the peace process. The importance of this development was clear to other donors who stepped in quickly to provide support for operational costs.   Portions of the activity are currently supported by the Canadian International Development Agency, the Government of Switzerland, the Royal Norwegian Government, GTZ, and DANIDA. However, the key component to sustainability of this activity is the international facilitator who

remains unfunded. USAID/Sri Lanka has traditionally successfully supported this activity.

In response to these developments, the program continued to provide technical assistance and training to researchers and advisors from political parties represented in Parliament through the South Asia Peace Institute, to improve the quality of analysis and policy development on the peace process. In mid FY 2005, the program supported the creation of the South Asia Peace Institute to facilitate this training and monitor and evaluate the citizen participation program. When fully functional, this will support further linkages between political parties and community leaders.

Promotion of Transparent and Accountable Local Government: The second core activity under this SO began in FY 2005. Through an agreement with USAID/Sri Lanka, The Asia Foundation (TAF), and the International City and County Managers Association, a TAF sub-grantee, implement the Transparent and Accountable Local Government Program with an initial target of 15 local authorities, later expanded to 33 authorities across six provinces with tsunami supplemental funds. Progress has been good; initial assessments of their financial management and service delivery have been completed for 24 partner authorities. Financial management staff from 16 municipalities began training in financial software packages and budget planning. To complement these programs, 167 government officials and civil society leaders have been trained to facilitate community consultations for planning and service delivery. Achieving increased civic participation is a key result. The Citizen Report Card, a national survey on citizen satisfaction with local government, provides baseline data for this activity. Only 2.6% of the public are consulted by local authorities but when public consultations occur, there is significant enthusiasm for such processes, 76% percent of those invited participate and of these, 94% were satisfied with the process. As a result of this training, staff from Talawakele Urban Council conducted a public consultation to prepare their 2006 budget, the first in their history. Thirty citizens attended this town hall meeting and will provide the local authority with feedback during the budget process.

The program links building the capacity of local authorities with citizen participation to create a shared understanding of the linkage between quality local services, effectiveness in local revenue collection, and engaging the local community in planning and resource allocation.

Civic Foundations for a Sustainable Peace: USAID/Sri Lanka technical assistance to 11 groups created linkages within the peace process, exceeding the target of 10, through a cooperative agreement with the Academy for Educational Development (AED). During the first half of this reporting period, two committees from One Text, produced such linkages and facilitated the creation of the Peace Secretariat for Muslims. As an initial response to the tsunami, the Secretariat, established five regional help centers to assist victims. In FY 2005, the centers received 5,536 cases of which 3,115 have been resolved. These help centers will be developed into district offices, creating a mechanism for outreach in the community.

The BCIS, a sub-grantee to AED, in collaboration with the United Nations University for Peace, began a diploma course in conflict resolution. The 34 participants included representatives from political parties, the military, the government and civil society. The program supported Social Indicator to produce the second national Knowledge Attitude and Perception (KAP) survey on the peace process, the report was published in all three languages and disseminated to a wide audience. The result of the study suggests that the Sri Lankan public overall has become more supportive of a number of specific peace proposals in comparison to the 2003 survey. Briefings were provided for political party researchers and for the government's Secretariat for Coordinating the Peace Process (SCOPP). Technical assistance was provided to the Inter Religious Peace Foundation to train 24 religious leaders from the eastern province. The clergymen have developed plans to establish a province-wide, inter-faith peace building network.

USAID in partnership with the Canadian International Development Agency (CIDA), supported four indigenous non-governmental organizations to implement citizen participation activities, known as People's Fora, in 48 locations across the country. Progress was mixed; each partner was responsible for mobilizing 12 fora and implementation was delayed by three months as USAID and CIDA's partners were engaged in tsunami relief programs. By the end of FY 2005, 45 fora were begun but only 37 completed the mobilization activities and began to develop community action plans. However, the program still attracted 2,471 participants, close to meeting the target of 2,660 citizen leaders from diverse sectors,

participating in the fora. The program addressed this issue by targeting future support to three partners who have been able to effectively implement the program. The fourth partner was unable to identify satisfactory local counterparts in all but five locations and will concentrate on the implementation of these fora during FY 2006. Individual fora began community action programs and have achieved remarkable success, they include: preventing the closure of a rural hospital, relocating a municipal rubbish dump away from the local hospital and plans for a public meeting with representatives from six political parties explaining their policies to the community.

This year saw the launch of the second KAP survey on the peace process and the questionnaire design and data collection for the 2005 survey were completed. With the completion of this survey, the program has collected sufficient information to enable an analysis of peace support trends throughout the life of the cease-fire agreement. The most significant trend is the development of more politically charged attitudes on the peace process. The study shows a substantial increase in the number of activist peace process supporters, with a smaller increase in activist opponents. The minority ethnic groups are dominated by activist supporters of the peace process but the Sinhalese community is equally divided between supporters and opponents of the process. The second KAP survey is an important vehicle for establishing linkages among government, civil society and communities. The survey was the basis for three inter-group linkages. The program is supporting the development of the second series of a television drama on the peace process, titled: "The Journey Continues". The serial was scheduled for release in FY 2005. Given the impact of the tsunami on conflict affected communities, in January 2005, Young Asia Television, began to re-write the script to include reflections on the effect of this tragedy on the country. The series will be aired in early FY 2006 to coincide with the first anniversary of the tsunami.

Local Government's Capacity for Good Governance Increased: This original program implemented through an agreement to TAF, designed before the tsunami, was modified in early 2005 to meet the needs of affected communities. The program began in early 2005, with the assessment and selection of the first group of 15 partner local authorities. Prior to the implementation of the technical assistance and training programs, a planning workshop was conducted in collaboration with key national partners: the Ministry of Provincial and Local Government and the Sri Lanka Institute of Local Governance. Follow up assessments for the 15 partners took place in March 2005. Issues of staffing, budget and financial management practices and service delivery were investigated. In tsunami affected authorities, particular emphasis was placed on implementing community consultations to establish action plans for response initiatives including, public health programs, maintenance of temporary housing, and education.

In late FY 2005, the program was expanded to 24 authorities across four provinces, of these, 20 are in tsunami affected areas. Program highlights include: establishing a Local Authority Development Scale; computer training and budget development workshops for 16 local authorities; and, citizen participation training in 10 partner authorities. Seventeen local authority partners have begun their budget planning process for 2006.

In July 2004, partner authorities were trained in the design and implementation of the Local Authority Development Scale that measures local authority capacity in three areas: financial management; service delivery; and governance. Baseline scores have been established for the 24 partner authorities. The five point scale, from weak to strong capacity: grades A-E, measure the effective administrative capacity and governance of the local authority. Data indicates that one of 24 authorities has a C grade for overall capacity with 80% of authorities classified as weak, having received an E grade. In financial management, 55% of authorities are assessed as weak, while service delivery and governance grades mirror the grades for overall capacity. The scale provides a baseline to measure the capacity of local authorities, identifying and prioritizing support to address weaknesses in performance.

In consultation with local authority partners, solid waste management has been identified as the priority service delivery requiring attention. This is comparable with results from the Citizen Report Card: nationally, only 9.85% of citizens were satisfied with solid waste disposal in their local authorities. Despite the unanimity of opinion, partners are required to use citizen consultations to confirm local priorities for service delivery.

In the aftermath of the tsunami, local authorities were sidelined by the central government from the relief, planning and recovery process. In light of the participatory community consultations, local authorities were able to deliver some critical basic services to tsunami camps. A core group of facilitators from each partner local authority in tsunami affected areas was trained. The program supported facilitators to mobilize tsunami affected citizens, identify recovery priorities, develop action plans, and assist in mobilizing resources. The program empowered communities' in the transition from dormant recipients of aid to planners and implementers of their own programs.

The program achieved the target of two case studies of good practices distributed to partner authorities participatory community consultations for tsunami recovery and participatory consultations in budgeting. Further progress is possible, with the diffusion of good practices to a wider range of recipients. The Ministry of Provincial and Local Government requested TAF to provide feedback on the success of their financial training programs, which they are interested in sharing with other local authorities in the country.

Equitable Access to Dispute Resolution Resources Increased: This program, implemented through an agreement with TAF, has the goal of strengthening the capacity of communities to advocate for their rights. Legal aid programs are a first step but vulnerable groups require long term training; enabling them to use legal tools to access services and effectively interact with law enforcement and other government officials. Target groups include: women headed households, victims of violence, home based workers and tsunami affected communities. Training provides vulnerable groups with tools to enforce their rights by mobilizing their communities. In FY2005, the program strengthened human rights education and established networks to promote the training of paralegals. The Consortium of Legal Aid Organizations was revived as a venue for information sharing between legal aid organizations. The program has established a target of 1,130 community advocates with paralegal skills in FY 2006.

USAID's long standing support for alternative dispute resolution is expanding the Ministry of Justice's Community Mediation Program. The program supported a national symposium on mediation that brought together all 273 Chairpersons from mediation boards across the country; one significant outcome from the symposium was the decision to address the shortage of women and Tamil speaking mediators. The program enhanced the technical skills of 33 mediator trainers, 21 from the Ministry of Justice, and 12 from the Center for Mediation and Mediation Training (CMMT). Seven trainers from CMMT, with Tamil language skills will provide a long needed resource to the Ministry. They will train mediators from the Central, Northern and Eastern provinces, areas with large Tamil speaking populations. With these resources, the Ministry has identified sites for four new boards in the Jaffna district. Mediators have been recruited and CMMT staff will conduct a training program in early FY 2006. During the next reporting period, the program will train 3,900 community mediators.

Technical assistance was provided to the National Legal Aid Commission to assist victims of the tsunami replace vital documentation: birth certificates, identity cards and land title deeds. In partnership with the Commission, the Alternative Dispute Resolution Institute provided mediation skills to government officials at the village level. These officials play an important role in providing essential documentation and identifying qualified recipients for relief programs. 1,969 officials from tsunami affected districts were provided with training in mediation techniques in 30 three day workshops assigned to enable the resolution of localized community disputes.

Please note that the Data Quality Assessment is not yet completed. It is anticipated the DQA for this SO will be completed during this Fiscal Year.